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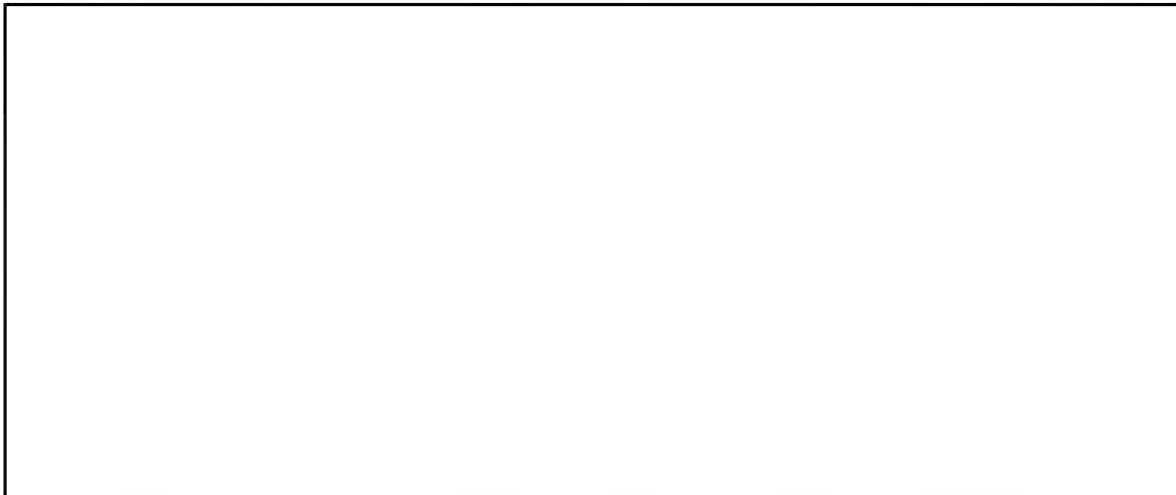
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GENERAL

1. Britain seen preferring Communist proposals in Korea to collapse of talks:

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[REDACTED] The British government would prefer UN acceptance without substantial change of the latest Communist proposals to a breakdown in the negotiations at Panmunjom, according to the American embassy in London. The British believe that prolongation of the current stalemate will make more difficult any eventual compromise, and consider that the present situation ties up funds and troops needed in areas of much greater strategic importance.

The embassy believes that British public opinion will make it increasingly difficult for the government to give full support to the UN Command if the truce talks collapse.

2. Molotov asks India to serve on Korean commission:

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[REDACTED] Foreign Minister Molotov called in the Indian ambassador on 16 May to inquire whether India was prepared to serve on the neutral commission which would have custody of prisoners unwilling to accept immediate repatriation. He stressed the importance the Soviet government attached to India's membership but gave no indication of the Soviet attitude on any particular points.

The ambassador replied that India would accept membership and added that, in India's view, the Communist proposal of 7 May, although subject to modification, appeared to be in general harmony with the Indian resolution adopted by the United Nations last December.

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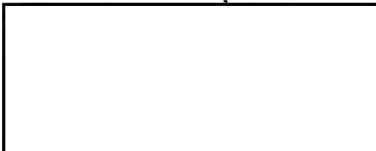
Comment: This is the second recent approach indicating Moscow's willingness to use its influence officially to promote the armistice negotiations. It suggests that the Communists believe a five-nation commission with India in the key spot would assure the return of the bulk of the prisoners either during the "explanation" period or later through disposition by the commission.

The recent Indian, British and Burmese contention that current Communist proposals approximate the Indian plan endorsed by the United Nations on 3 December is erroneous. The Indian plan of 17 November proposed, as the Communists now propose, that the fate of prisoners who remained unwilling to return be decided by a political conference, where the Communists could indefinitely block their release. The amended version of 3 December, bitterly denounced by both Moscow and Peiping, provided for the United Nations to decide the prisoners' fate if the political conference could not reach an agreement on the issue in 30 days.

SOVIET UNION

3. USSR timber surplus reportedly at prewar levels:

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An official of the Soviet Ministry of Foreign Trade told Harold Wilson, former president of the British Board of Trade, who is now in Moscow, that the USSR has an exportable timber surplus roughly comparable to that exported before the war.

Wilson believes the estimate to be greatly exaggerated, but warns that Soviet exports even remotely approaching prewar levels would have a very serious effect on the world timber market.

Comment: Soviet exports of wood and its products in 1953 will probably remain at about 3,500,000 cubic meters of round wood, the approximate annual level over the past few years. This is roughly one fourth of the prewar level.

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If the resources of the Satellites were included, considerably more than this amount could be exported, but only at the expense of domestic requirements. Such shipments could depress world prices to the extent that exports from Finland, Yugoslavia and Scandinavia would be unprofitable, thus giving the USSR a strengthened position in bargaining for desired Western commodities.

SOUTHEAST ASIA

4. Li Mi believes one third of his force can be evacuated:

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General Li Mi told Ambassador Rankin in Taipei that Chinese Nationalist units in Burma were now concentrating in the Mong Hsat area. He said that 6,000 to 7,000 men had now assembled there and that one third could be evacuated if properly handled. Li emphasized, however, that he would not assist in any withdrawal before a cease-fire.

The Nationalist foreign minister has told Rankin that Chiang Kai-shek might not permit Li to leave Formosa for fear of losing control of him.

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5. Friction within Burmese cabinet reported:

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A serious split is developing in the Burmese cabinet between the Socialists, led by Minister of Industries Kyaw Nyein, and members of the moderate faction led by Premier Nu, [REDACTED]

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The American consulate general in Singapore also reports that the British have received

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evidence that Kyaw Nyein is attempting to force the removal of three cabinet officers, all of whom are supporters of the premier.

Comment: Although these reports differ regarding personalities, the cleavage between the moderates and Socialists is clear in both.

The Socialist group has been less friendly to the West than Premier Nu and his followers. In any showdown the Socialists, through their political organizations and organized armed supporters, could easily win out.

6. French overstate successes in Laos:

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French military sources in Vientiane state that the reoccupation of Xieng Khouang is only the beginning of a sizable operation which will be played up as a "major counter-offensive." The American army attache in Saigon states that General Salan is obviously trying through wide publicity to dispel the idea that he is not offensive-minded, but that actually the French action thus far has been no more than a reconnaissance in force. The attache expects the French will next attempt contact with Viet Minh units operating south of Xieng Khouang.

Meanwhile, the long-besieged French post of Muong Khoua, 90 miles north of Luang Prabang, has fallen and guerrilla activity in the Tonkin delta is seriously increasing. The army attache states that the lack of reserves has reduced French policing activities in the delta to a small scale.

Comment: The limited French contacts with the Viet Minh in Laos have not confirmed the rumored withdrawal of the Viet Minh 304th Division, last reported in the Xieng Khouang area.

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Tonkin delta security may be expected to deteriorate still further in the near future as infiltrated enemy forces, taking advantage of the dispersal of French mobile reserves, increase their "rice offensive."

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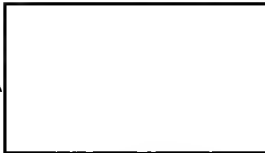
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8. Popularity of Egyptian military regime reportedly at low ebb:


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The popularity of the Egyptian military regime is at a low ebb, 

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 This situation is largely due to the economic distress of the Egyptian peasants, whose living conditions have not been improved despite the promises of land reforms.

There is also wide dissatisfaction among the middle classes with the leadership of the young, inexperienced officers of the Revolutionary Command Council.

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Comment: 

other indications of growing dissatisfaction. The increasingly nationalistic line adopted by the Revolutionary Command Council, as evidenced by recent speeches, probably reflects an effort to rally waning popular support.

There is no indication that dissident groups could overthrow the military regime at this time. Elements in the army, however, have for some time been opposed to the policies of the Nagib government.

WESTERN EUROPE

9. East German Communists reportedly plan compulsory military training for party members:

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District headquarters of the East German Socialist Unity Party reportedly held country-wide conferences on 13 May on plans for compulsory three-month physical-military training for all male party members and candidates between the ages of 18 and 30.

American army observers in West Germany suggest that the reported program may be designed to provide the nucleus for a party militia, or that it is a preliminary to introduction of compulsory military service.

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Comment: At a minimum, the enforced training would appear intended to achieve a maximum of discipline among participants while forcing out of the party those persons whose membership is only nominal. The current strength of the party is estimated at 1,300,000, mostly male.

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